Renewable Energy 16: *How has Michigan, and how have other jurisdictions limited the rate impact of renewable energy mandates on the residential, commercial, and industrial sector, if at all? What effect have such rate limitations had on other areas?*

Executive Summary

1. PA 295 of 2008 built in mechanisms to limit the rate impact of Michigan's 10% renewable energy portfolio standard (RPS).
2. Many other jurisdictions include mechanisms to limit rate impacts as part of their RPS requirements to protect customers.

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1. PA 295 of 2008 built in mechanisms to limit the rate impact of the 10% renewable energy portfolio standard (RPS).

PA 295 of 2008 was designed to achieve several policy objectives, including the development of renewable energy and other clean energy in a cost-effective manner. Recognizing that development of new generation, particularly emerging renewable energy technologies, can result in increased costs for utility customers, the law built in several mechanisms to limit such impacts. Specifically, there are statutory caps on the renewable energy surcharge, which is paid by customers on their utility bills for the incremental costs of renewable energy. As discussed in Renewable Energy Question 17, the specific surcharge amounts are approved by the Michigan Public Service Commission (MPSC), subject to the cap and based on the utility's plans and costs for meeting the RPS.

There is also flexibility to alter the provider's renewable energy requirements if the costs of compliance exceed certain levels. For example, the MPSC may grant good cause to extend the compliance timeline.

2. Many other jurisdictions include mechanisms to limit rate impacts as part of their RPS requirements to protect customers.

It is common for states with an RPS to include provisions that are designed to protect customers in the event costs of RPS compliance increase beyond what was foreseen when the law was enacted. Approaches include, but are not limited to, alternative compliance payments, caps on renewable contract prices, retail rate impact caps, limits on revenue collection, and ad hoc discretion by regulators. To date, there has been significant variability in the magnitude of rate impacts from RPS compliance. The details on RPS compliance costs in different states as well as the approaches to limit cost impacts are outlined in Renewable Energy Question 32.